

Message Text

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43

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 FRB-01 L-03 PM-04

NSC-05 SP-02 SS-15 PRS-01 CIAE-00 INR-07 NSAE-00 /056 W

----- 031141

P 211542Z OCT 76

FM AMEMBASSY NASSAU

TO SECSTATE WASHDC PRIORITY 8767

UNCLAS NASSAU 1660

E.O. 11652: N/A

TAGS: EFIN, PFOR, CFED, BF, US

SUBJ: ADDERLEY NEGATIVE ON TAX TREATY

1. IN AN OCTOBER 20 MIAMI HERALD ARTICLE BY BAHAMIAN NICKI KELLY, GCOB MINEXTAFF ADDERLEY IS QUOTED AS SAYING A TAX TREATY WITH U.S. WOULD BE A "DEVICE TO GET AROUND BAHAMIAN BANK LAWS AND ATTACK THE COUNTRY'S TAX-HAVEN POSITION." SUCH A TREATY, HE REPORTEDLY CONTENDED, IS NOT NECESSARY SINCE CURRENT LAW IS SUFFICIENT. "THERE IS," HE IS QUOTED, "NO REASON, THEREFORE, WHY THE BAHAMAS SHOULD EMBARRASS A LARGE NUMBER OF NON-BAHAMIANS WITH PERFECTLY LEGITIMATE BANKING ARRANGEMENTS TO FACILITATE U.S. INQUIRIES INTO A VERY SMALL PERCENTAGE OF FOREIGNERS WHO MAY BE COMMITTING A TAX OFFENSE IN THE UNITED STATES." FULL TEXT OF ARTICLE FOLLOWS:

2. QUOTE BAHAMAS FEARS U.S. TRYING TO PUT END TO TAX HAVEN

BY NICKI KELLY
SPECIAL TO THE HERALD

NASSAU, THE BAHAMAS - THE BAHAMAS, ONE OF THE WORLD'S LEADING FINANCIAL CENTERS, IS CONCERNED THAT THE U.S. GOVERNMENT MAY BE TRYING TO UNDERMINE ITS STATUS AS A TAX HAVEN.

THE SUSPICION IS THE RESULT OF AMERICAN EFFORTS TO ARRANGE A TAX TREATY THAT WASHINGTON HOPES WILL PROVIDE ACCESS TO BAH-

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AMIAN BANK ACCOUNTS HELD BY U.S. TAX EVADERS.

UNHAPPY OVER EARLIER PENETRATION ATTEMPTS BY THE INTERNAL REVENUE SERVICE (IRS), BAHAMAS ATTORNEY GENERAL AND EXTERNAL AFFAIRS MINISTER PAUL ADDERLEY SEES THIS LATEST EFFORT AS "A DEVICE TO GET AROUND BAHAMIAN BANK LAWS AND ATTACK THE COUNTRY'S TAX-HAVEN POSITION."

TESTIFYING BEFORE A CONGRESSIONAL COMMITTEE LAST YEAR, IRS COMMISSIONER DONALD ALEXANDER REVEALED THE DETAILS OF "OPERATION HAVEN", A 10-YEAR PROBE THAT HE ADMITTED BROKE BAHAMIAN LAW ON A NUMBER OF COUNTS.

ALTHOUGH THE UNITED STATES SAYS ALL ILLEGAL ACTIVITY HAS DEASED, ADDERLEY BELIEVES THE PRESSURE IS STILL ON TO GET AT THE BANK ACCOUNTS. "HAVING RUN INTO DIFFICULTIES, THEY NOW WANT TO FIND ANOTHER WAY TO ACCOMPLISH THE SAME THING THROUGH AN AGREEMENT THAT IS CONTRARY TO BAHAMIAN LAW," HE SAYS.

"HAVEN" AND ITS PREDECESSOR "OPERATION TRADEWINDS" BEGAN IN THE EARLY 1960S AFTER ALLEGATIONS THAT CERTAIN ORGANIZED CRIME FIGURES WERE USING TRUST ACCOUNTS TO EVADE TAXES.

THE IRS INVESTIGATION WAS SEVERELY CURTAILED IN 1965 BY THE SECRECY PROVISIONS OF THE NEW BAHAMAS BANKS AND TRUST COMPANIES ACT.

TO BYPASS THE PROBLEM, THE IRS DEVELOPED GUIDELINES WHEREBY AMERICAN CITIZENS, ACTING AS INTERMEDIARIES, WERE TO OBTAIN INFORMATION FROM BAHAMIAN BANK EMPLOYEES AND TRANSMIT IT TO IRS PERSONNEL IN PRE-ARRANGED MEETINGS ON U.S. SOIL.

ACCORDING TO ALEXANDER, THE GUIDELINES WERE INTENDED TO MAKE IT EASIER FOR BAHAMIAN SOURCES TO VIOLATE THE COUNTRY'S PENAL STATUTES AND ALSO TO PROTECT AGENTS FROM THE REACH OF BAHAMIAN LAWS. THE UNITED STATES, IT WAS LEARNED, NEVER APPROACHED THE BAHAMAS THROUGH DIPLOMATIC CHANNELS.

SPEAKING BEFORE A CHICAGO BUSINESS GROUP LAST FEBRUARY, PRIME MINISTER LYNDEN PINDLING DENIED THAT THE BAHAMAS HAD REFUSED

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TO ENTER INTO A TAX TREATY OR TO ASSIST THE UNITED STATES IN TRACKING DOWN TAX DODGERS. HE SAID A TREATY NEVER HAD BEEN DISCUSSED AND THE UNITED STATES NEVER HAD ASKED FOR HELP WITH TAX EVADERS.

THE U.S. TREASURY DEPARTMENT CLAIMS THE TREATY PROPOSAL WAS TRIGGERED BY PINDLING'S REMARKS. "WE FELT HE WAS SAYING 'YOU HAVEN'T ASKED US ABOUT A TAX TREATY' SO WE THOUGHT WE'D

ASK HIM." SAID DAVID FOSTER, THE TREASURY DEPARTMENT'S INTERNATIONAL TAX COUNSEL.

BUT ADDERLEY MAINTAINS THE IDEA DATES BACK TO DECEMBER 1975, WHEN REP. CHARLES VANIK (D., OHIO) OF THE HOUSE WAYS AND MEANS OVERSIGHT SUBCOMMITTEE WANTED THE INTER-AMERICAN DEVELOPMENT BANK CHARTER AMENDED TO BAR THE BAHAMAS FROM FUTURE MEMBERSHIP AND LOAN ASSISTANCE UNLESS IT AGREED TO AN ENFORCEABLE TAX TREATY.

U.S. AUTHORITIES SAY THE ANNUAL LOSS TO THE TREASURY FROM THE TAX HAVEN OPERATIONS OF COUNTRIES SUCH AS THE BAHAMAS IS MORE THAN DOLS 200 MILLION.

SINCE THE OPERATION HAVEN EXPOSURE, THE PINDLING GOVERNMENT HAS ASKED FOR DETAILS AND THE NAMES OF THOSE INVOLVED HERE WITH A VIEW TO PRESSING CHARGES. U.S. AMBASSADOR SEYMOUR WEISS HAS GIVEN ASSURANCES THAT ALL ILLICIT ACTIVITY HAS CEASED. "THE UNITED STATES HAS NO INTENTION OF BREAKING BAHAMIAN BANK LAWS, AND WE HAVE MADE IT CLEAR THAT THIS IS NOT THE WAY WE ARE GOING TO OPERATE IN THE FUTURE," WEISS SAYS.

HE ADDS, HOWEVER, THAT FROM THE AMERICAN POINT OF VIEW, THE UNITED STATES FEELS THAT WHERE ITS CITIZENS ARE ILLEGALLY AVOIDING TAXES, IT HAS A LEGITIMATE RIGHT TO PURSUE THE MATTER.

THE BAHAMIAN GOVERNMENT SAYS IT IS PREPARED TO COOPERATE, BUT INSISTS A TAX TREATY IS NOT JUSTIFIED. "THE BANKS AND TRUST COMPANIES ACT PROVIDES A LAWFUL MEANS WHEREBY INFORMATION ABOUT A PERSON'S BANK ACCOUNT CAN BE OBTAINED BY COURT ORDER," ADDERLEY POINTS OUT.

"THERE IS ABSOLUTELY NO REASON, THEREFORE, WHY THE BAHAMAS

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SHOULD EMBARRASS A LARGE NUMBER OF NON-BAHAMIANS WITH PERFECTLY LEGITIMATE BANKING ARRANGEMENTS TO FACILITATE U.S. INQUIRIES INTO A VERY SMALL PERCENAGE OF FOREIGNERS WHO MAY BE COMMITTING A TAX OFFENSE IN THE UNITED STATES."

BANK AND TRUST COMPANY OFFICIALS MAINTAIN THAT VERY LITTLE ILLEGAL BUSINESS NOW FINDS ITS WAY TO THE BAHAMAS, BECAUSE NONE OF THE LARGE TRUST COMPANIES WILL DEAL WITH A CLIENT UNLESS HIS ACTIVITIES ARE BONA FIDE.

THE GOVERNMENT, WHICH HAS BEEN AWARE OF THE IRS ACTIVITIES SINCE 1972, IS WORRIED BY THE IMPRESSION GIVEN OF THE BAHAMAS AS HAVEN FOR TAX EVADERS.

"TAX EVASION IS NOT A PROPER ACTIVITY FOR A TAX HAVEN, AND IT'S

CERTAINLY NOT ENCOURAGED IN THE BAHAMAS," PRIME MINISTER PINDLING EMPHASIZES. THE DISTINCTION NEEDS TO BE MADE, HE SAYS, BETWEEN A LEGITIMATE EFFORT TO MINIMIZE TAXES AND AN ATTEMPT TO EVADE TAX LIABILITY.

WITH BANKING THE SECOND MOST IMPORTANT INDUSTRY AFTER TOURISM, THERE IS CONCERN THAT THE UNITED STATES MAY USE THE BAHAMAS' TAX-HAVEN STATUS AS A BASIS FOR ATTEMPTING TO EXCLUDE THE COUNTRY FROM REGIONAL ECONOMIC ASSISTANCE. UNQUOTE

3. IN A RELATED DEVELOPMENT, PRIMIN PINDLING, ON "CONTACT" OCTOBER 18, DENIED THAT THERE ARE PRESENTLY ANY U.S.-GCOB NEGOTIATIONS ON A TAX TREATY.
TAYLOR

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, TAX AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 OCT 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976NASSAU01660
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760395-0347
From: NASSAU
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761029/aaaaaymc.tel
Line Count: 183
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 07 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 APR 2004 by DuboseBM>; APPROVED <11 JAN 2005 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ADDERLEY NEGATIVE ON TAX TREATY
TAGS: EFIN, PFOR, CFED, BF, US, (ADDERLEY, PAUL L)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006